

## Message Text

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ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 EB-07 COME-00 /024 W

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R 201730Z FEB 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 8151

INFO AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY BRUSSELS

AMEMBASSY MADRID

USMISSION EC BRUSSELS

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PASS TO G. PLANTS, EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: A300 AIRBUS SALES

REF: A. STATE 27146 B. BONN 3475

1. DESPITE EMBASSY EFFORTS TO OBTAIN SPECIFICS, INFORMATION AVAILABLE HERE REGARDING FINANCING OF AIRBUS SALES REMAINS SKETCHY. GERMAN OFFICIALS CONTACTED HAVE BEEN RELUCTANT TO DISCUSS FINANCING DETAILS DUE, WE SUSPECT, TO THEIR WISH TO AVOID VITIATING ANY COMPETITIVE EDGE CURRENT FINANCING PRACTICES MAY PROVIDE AIRBUS SALES. OUR CONTACTS HAVE ALSO SAID THAT SINCE AIRBUS INDUSTRIE IN FRANCE IS RESPONSIBLE FOR SALES WORLD-WIDE, OFFICIALS HERE WOULD PREFER TO HAVE INQUIRIES DIRECTED TO THAT OFFICE THEREBY AVOIDING POSSIBILITY OF CONFLICTING STATEMENTS AND CONSEQUENT CONFUSION AMONG POTENTIAL BUYERS.

2. AS PREVIOUSLY REPORTED BY BONN, THE GERMAN CABINET IN JULY 1973 APPROVED CERTAIN MEASURES TO PROVIDE FRG SUPPORT TO ENHANCE AIRBUS COMPETITIVENESS ON WORLD

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MARKETS. AT THAT TIME, THE CABINET PROPOSED AN INTEREST

RATE SUBSIDY OF A MAXIMUM OF 3.25 PERCENT TO PLACE AIRBUS FINANCING ON A LEVEL COMPETITIVE WITH THAT OFFERED BY EXIMBANK AND OTHER U.S. BANKS. FRG FUNDS FOR THIS PURPOSE WERE NOT TO EXCEED DM 324 MILLION DURING A TEN YEAR PERIOD. IN ADDITION, FUNDS WERE TO BE PROVIDED TO OFFSET HIGHER COSTS DUE TO HIGHER EUROPEAN INFLATION RATES AND PARITY CHANGES. IT WAS SUBSEQUENTLY LEARNED THAT AS OF JANUARY 1, 1975 THE FRG HAD ACTUALLY OBTAINED BUDGETARY AUTHORITY TO PROVIDE THESE SUBSIDIES TO AIRBUS INDUSTRY (GERMANY) TO ENABLE THE FIRM TO AT LEAST EQUAL U.S. TERMS ON THE GERMAN-MADE COMPONENT OF THE AIRCRAFT. WITH ACCELERATED INFLATION IN THE U.S., HOWEVER, THE GERMANS ARE FAIRLY CONFIDENT THAT ONLY EXCHANGE AND INTEREST RATE SUPPORTS WILL BE REQUIRED IN THE FORESEEABLE FUTURE.

3. SOME CLUES REGARDING THE APPARENT FLEXIBILITY IN FINANCING TECHNIQUES THAT MAY BE USED TO PROMOTE THE SALE OF THE AIRBUS WERE CONTAINED IN REF B REGARDING TRANSBRAZIL'S NEGOTIATIONS FOR THE PURCHASE OF THE AIRCRAFT. THIS INVOLVED LEASING THE AIRCRAFT TO TRANSBRAZIL FOR A TWO TO THREE YEAR PERIOD AFTER WHICH IT WOULD BE SOLD OUTRIGHT. EITHER A SHORT-TERM REVOLVING CREDIT ARRANGEMENT OR A LONG-TERM LOAN WAS PROPOSED AND, IN ADDITION, AIRBUS WOULD GRANT A SPECIAL HALF MILLION DOLLAR CREDIT IN THE FORM OF SERVICES, PARTS, ETC. INTEREST RATES FOR THE LOANS MIGHT BE IN THE RANGE OF 6.5 TO 7.25 PERCENT, WITH THE LOANS INSURED, AT LEAST IN PART, BY HERMES, THE FRG INSURANCE CORPORATION. FURTHER SWEETENING OF THIS POT WAS ALSO POSSIBLE.

4. COMMENT: IT SEEMS TO US THAT THE BEST SOURCE OF INFORMATION ON THIS SUBJECT WOULD BE AIRBUS INDUSTRIES IN FRANCE, BUT IT APPEARS FROM PARIS' CABLE (4061) THAT OFFICIALS THERE ARE PLAYING THEIR CARDS VERY CLOSE TO THEIR VESTS AND DEFINITIVE INFORMATION IS NOT LIKELY TO BE FORTHCOMING. IN ANY EVENT, THERE IS PROBABLY NO SINGLE FORMULA THAT IS BEING ADHERED TO IN PROMOTING AIRBUS SALES, AND THE FIRM IS PROBABLY IN A POSITION TO ADOPT A VARIETY OF FINANCING TECHNIQUES TO ENHANCE THE LIMITED OFFICIAL USE

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SALABILITY OF THE AIRBUS AS CIRCUMSTANCES DICTATE. FRG SUPPORT WOULD, OF COURSE, BE LIMITED TO THE SUBSIDY AREAS CITED ABOVE.

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## Message Attributes

**Automatic Decaptioning:** X  
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**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
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